

REPORT TO	ON
Governance Committee	12th April 2017

Jan 2017



TITLE	AUTHOR	<i>Agenda item No.</i>
City Deal Update	Jonathan Noad, Planning Manager	9

1. PURPOSE OF THE REPORT

- 1.1 This report provides an update on the Council's involvement in the Preston, South Ribble and Lancashire City Deal.

2. RECOMMENDATIONS

- 2.1 It is recommended that Governance Committee review, note and comment on the report and any appendices.

3. EXECUTIVE SUMMARY

- 3.1 In summary the report provides a discussion on the following items:
- City Deal governance
 - Operational matters
 - Monitoring
 - Resources
 - South Ribble internal governance of City Deal matters
 - The City Deal Financial Model – Income and Expenditure
 - Project implementation

4. CORPORATE PRIORITIES

- 4.1 The report relates to the following corporate priorities

Clean, green and safe	<input checked="" type="checkbox"/>	Strong and healthy communities	<input checked="" type="checkbox"/>
Strong South Ribble in the heart of prosperous Lancashire	<input checked="" type="checkbox"/>	Efficient, effective and exceptional council	<input checked="" type="checkbox"/>

5. BACKGROUND TO THE REPORT

- 5.1 The Preston, South Ribble and Lancashire City Deal was the first of 20 second wave City Deals to be agreed and was signed in September 2013. The Lancashire Enterprise Partnership, Lancashire County Council, Preston City Council, South Ribble Borough Council and the Homes and Communities Agency are working together to deliver this once in a

lifetime opportunity for the area. New investment of £434 million will expand transport infrastructure in Preston and South Ribble at an unprecedented rate, driving the creation of some 20,000 new jobs and generating the development of more than 17,000 new homes over the next ten years.

5.2 City Deal has been running for 3 years and during this time the following has been achieved across the project area:

- 2,000 new homes completed and 9,000 new homes given planning permission
- HCA Starter Homes status awarded involving up to 600 new homes
- 1,800 new jobs created
- 35,000 square metres of commercial floorspace delivered and over 300,000 square metres given planning permission
- £55m of public sector investment in infrastructure
- Developer partners in place for 5 of the 11 HCA owned sites

6. DETAIL

6.1 A City Deal Heads of Terms was agreed between South Ribble, Preston, and Lancashire County Councils on 12th September 2014. The content and approach in this was authorised at Cabinet which met on 2nd April 2014. This Heads of Terms provide an agreement of how City Deal works including matters relating to finance, planning, and monitoring.

City Deal Governance

6.2 City Deal is organised and governed by a structure of groups including Members and Officers. The Lancashire Enterprise Partnership (LEP) provides the overall Governance of City Deal and its meeting in November 2013 approved the Terms of Reference of the City Deal Executive. Appendix A provides a summary of these groupings and reporting lines.

6.3 The **City Deal Executive** is chaired by the LEP Chair and comprises the three local authority leaders, the Deputy Chair of the LEP and the LEP Champion for Strategic Development. The Executive is responsible for taking all key City Deal decisions including the approval of the annual Infrastructure Delivery Plan (IDP). The first Executive met in November 2013.

6.4 The **City Deal Stewardship Board** is Chaired by the regional director for the Homes and Communities Agency and comprises the three local authority Chief Executives and the LEP Champion for Strategic Development. The prime purpose of the Stewardship Board is to guide the disposal of the HCA assets in line with the broader aims and objectives of City Deal. It also guides the development of a number of local partner assets. The Board is required to approve the annual Business and Disposal Plan for the assets it covers.

6.5 The City Deal Executive and Stewardship Board now meet as a combined meeting.

6.6 The **Central Lancashire Joint Advisory Committee** (JAC) was originally established to oversee the preparation of a joint Core Strategy across the three local authority areas of South Ribble, Preston and Chorley. The JAC ensures that City Deal related planning matters are kept under review.

Operational Matters

6.7 Beneath the Governance Structure are a series of Officer level groups which deal with operational and delivery matters. The key group for this is the **Programme Board** which comprises the Chief Executives of the three City Deal local authorities together with the HCA.

- 6.8 The City Deal **Project Team** is chaired by the City Deal Project Director. Its role is to consider strategic issues impacting on the delivery of the City Deal. It is responsible for implementing the operational delivery of the City Deal and co-ordinates and directs the activity of the various work streams.
- 6.9 Underneath the Project team there are a number of other operational groups. The **Infrastructure Delivery Steering Group (IDSG)** oversees and agrees the preparation of the City Deal Infrastructure Delivery Plan and Business Plan as well as overseeing the monitoring and reporting of progress of the City Deal.
- 6.10 A **Resource Review Group** also meets to look at ongoing resource matters for City Deal. The role of this group is to forecast likely income into City Deal with particular reference to changes in New Homes Bonus and Community Infrastructure Levy. With the advice of chartered surveyors it also has a role of looking at the economic viability of sites.
- 6.11 A **Finance officer group** with representatives from the finance teams of the three authorities meet periodically to discuss ongoing issues for City Deal and their impact on the City Deal financial model. The role of the group is also to monitor the financial arrangements set out in the City Deal Heads of Terms with regard to assumptions made and accuracy of the original estimates.
- 6.12 A **Planning and Finance Joint Group** has started to meet where the Planning and Finance Teams can meet to look in detail at the financial aspects arising from planning applications and site delivery.

Monitoring

- 6.13 City Deal is monitored on a quarterly basis and reports on delivery and finance are considered by the City Deal Executive after having been approved by the project Team and Programme Board.

Resources

- 6.14 Lancashire County Council's Director of Development and Corporate Resources fulfils the role of the City Deal Project Director. A central team for City Deal is based within the County Council and comprises a Programme Manager and two Project Managers. Their role is to manage City Deal as a whole whilst individual projects are delivered by Planning, Regeneration and Highways staff within the three City Deal authorities.

South Ribble Internal Governance of City Deal Matters

- 6.15 All City Deal matters are subsumed within South Ribble's existing structures in accordance with the Constitution. Key decisions on City Deal matters are generally considered and approved by the Council's Cabinet (and confirmed by full Council if required) with reports coming from either the Strategic Planning and Housing or Leisure and Regeneration Portfolios. Additionally, more minor matters are approved through delegation in accordance with the Constitution.
- 6.16 Cabinet will be provided with updates on the progress of City Deal at least every 6 months.
- 6.17 In terms of Operational Matters responsibility lies with the Director of Development Enterprise and Communities who Chairs an Internal Officer level City Deal group which includes representatives from Planning, Regeneration, Enterprise, Housing, Finance, Communications and Assurance. A focus for this group is maintaining and managing an issues log of all projects.

6.18 Budgets are set for approved revenue and capital expenditure and income in relation to City Deal as part of the annual budget-setting process. These are updated for any additional approvals throughout the year. The financial management arrangements for City Deal including the approval of budgets, procurement arrangements and financial monitoring and reporting are in accordance with the Council's constitution.

City Deal Financial Model

6.19 The City Deal Finance model was developed and agreed with the officers involved in the setting up of the City Deal arrangement. The model is based on income expected to be received from the various income streams and the expenditure is made up of the program of planned infrastructure. The City Deal Finance Model (or 'Infrastructure Delivery Fund') in place at the commencement of City Deal is set out in Appendix C.

6.20 The dynamic nature of the City Deal means that the funding model will inevitably change on an ongoing basis. These changes will be the result of the costs of particular projects becoming more firmly established, the granting of planning permissions establishing the actual number of properties on a particular site and actual build out rates influencing the timing of receipt for specific income streams. Other factors which impact on the funding model include central government changes to key funding streams, for example New Homes Bonus funding allocations, a major source of funding for City Deal, were reduced significantly as part of the December 2016 finance settlement.

Income

6.21 When the City Deal model was formed it was anticipated that the contribution of income from South Ribble would come from the following sources:

- Community Infrastructure Levy (CIL) receipts from residential and retail development (£17.471m)
- CIL Plus which is an assumption of additional revenue from development (£18.029m)
- New Homes Bonus (£25.409m)
- Business Rates (£4.350m)

6.22 The level of income from these sources is dependent on the building of new homes and commercial floor space. The granting of planning permission and working with developers to enable sites to come forward is therefore key to such income being generated and received. The plan at Appendix B indicates the extent of sites across the City Deal area.

6.23 The target number of new homes in South Ribble on the City Deal sites is 7,905. This includes an additional 1,000 properties not allocated to specific sites. The current forecast for new home building is in the region of 8,300 new properties. Therefore the volume of houses forecast should meet the City Deal targets but is dependent on the housebuilders bringing them forward.

6.24 In terms of commercial floor space the vast majority of income arising will come from the Cuerden Strategic site. A Planning Application for the development of the Cuerden site is expected to be received this quarter.

6.25 There are ongoing central government policy changes to CIL, New Homes Bonus and Business Rates Retention which all impact on the City Deal original Finance Model and which are currently the focus of a Resource Review by External Consultants.

Expenditure

- 6.26 The City Deal Infrastructure Delivery Plan sets out the delivery programmes to be funded and the forecast resources, some of which are project specific, with the rest being pooled.
- 6.27 The City Deal expenditure budgets are managed and monitored by LCC. The majority of the expenditure is procured by LCC. There are two expenditure lines in the model where South Ribble can procure the works and subject to prior approval by the Executive, these costs can be reclaimed from the City Deal Fund. These are:
- Community/Green Infrastructure (£6.448m)
 - Public Transport Corridors & Local Centres - South Ribble (£12.125m)
- 6.28 To spend Community/Green Infrastructure funds, a Community Infrastructure Plan was being prepared with a complementary strategy for use within SRBC. This is temporarily on hold. Please note however that the Public Transport Corridors & Local Centres budget line is a total budget for both the Public Transport Corridors/highways works procured by LCC and the regeneration of the Local Centres undertaken by the Community Works team at South Ribble.
- 6.29 In addition there is an expenditure line called 'Community Provision' in the model. The Council receive £492,200 annually for 10 years from the City Deal fund to mitigate significant financial risks that could impact on the delivery. There are no restrictions on how this is spent. The table below summarises the current position in relation to funding received by South Ribble which has been paid over to City Deal and amounts claimed from the City Deal Fund, giving a net cash flow (receipts) of £745,527.

Table 1 – Payments and Receipts to / from City Deal

	Payments to City Deal Fund (£)				Receipts from City Deal Fund (£)		
Year	Business rates	NHB	CIL	Total Payments	Community Provision	Project Expenditure reimbursed	Total Receipts
2014/15	42,431	0	0	42,431	(492,200)	0	(492,200)
2015/16	84,862	198,310	0	283,172	(492,200)	(299,372)	(791,572)
2016/17	0	770,327	300,477	1,070,804	(492,200)	(365,962)*	(858,162)
Total to-date	127,293	968,637	300,477	1,396,407	(1,476,600)	(665,334)	(2,141,934)
Net receipts to-date							(745,527)

*total claimed to December 2016, further claim for final quarter still to be made and therefore this figure will increase.

Project Implementation

- 6.30 The finance received from new development together with other sources of funding is being used to provide key infrastructure projects but also to fund community infrastructure. Within South Ribble the key infrastructure include the following:
- Penwortham By-pass
 - Widening to dual carriageway standard and improvements to junctions along the A582 South Ribble Western Distributor and B5253
 - Completion of the Cross Borough Link Road
- 6.31 Some of the works outlined above have been implemented, some are currently underway and others are planned within the next 5 years. Such works are being delivered in advance of money being received from development.
- 6.32 We have already completed or part completed several city deal projects. The funding streams for project delivery are rarely straight forward, some of the following examples give some idea as to how City Deal funding is assisting with delivery of regeneration projects in the borough.
- Recently works began in Bamber Bridge including the central garden & Iron tree amongst the £3.35M scheme. These have been largely funded from City Deal PT/Corridor budgets.
 - Worden Park entrance, connecting paths and roads have been paid for (£155,000) by City Deal Community Infrastructure funding.
 - Contributions to masterplans. As twice recently reported to cabinet, 3 masterplans for Penwortham, Leyland and Lostock Hall have been commissioned through City Deal. The value of these is £100,000 which will be paid from a central City Deal PT/Corridors budget.
 - St.Catherine's Park was opened during last summer to commemorate the Queen's 90th birthday. A large proportion of the cost of these works was reclaimed from City Deal Community Infrastructure budget.
- 6.33 There are many projects that are still developing and that also receive substantial contributions from City Deal funds including ongoing regeneration in Bamber Bridge, Central Parks development and masterplan, potential regeneration of the area around Leyland Station, development of the Leisure Strategy. In addition, South Ribble and Preston both hold City Deal budgets for Community Infrastructure. A City Deal working team is developing a strategy to ensure projects and scheme suggestions for this budget (approximately £7m for South Ribble) are in line with both local and City Deal aims and objectives.

City Deal – The Future

- 6.34 Given the ongoing success of City Deal and against the background of changes to funding sources such as New Homes Bonus thoughts are starting to be generated on future asks. Issues discussed informally to date have covered the following:-
- Delivery of the Ribble crossing
 - Development of Preston Railway Station linked to HS2 and the electrification works between Manchester and Blackpool
 - Expansion of UCLAN
 - Further community infrastructure
 - Accelerated construction of new homes

7. WIDER IMPLICATIONS AND BACKGROUND DOCUMENTATION

7.1 Comments of the Statutory Finance Officer

- 7.1.1 The original finance model (as attached in Appendix C) is subject to change as time moves on and original estimates for costs are updated and the income streams undergo policy changes as part of Central Government's Spending Reviews.
- 7.1.2 The impact on the overall City Deal model is currently being assessed via a Resource Review. Any potential financial impact on the Council is monitored internally on a regular basis. As the Medium Term Financial Strategy incorporates the City Deal Finance Model assumptions any changes will also need to be factored into future budgets setting rounds.

7.2 Comments of the Monitoring Officer

- 7.2.1 There are a couple of agreements that set out the context for the City Deal arrangements.
- 7.2.2 Firstly an original agreement was entered into between the three councils concerned and the Secretary of State in September 2013.
- 7.2.3 Secondly a further Heads of Terms agreement (dated 12th of September 2014) was entered into by the three councils. This sets out the principles that govern the working of City Deal. It has always been the intention of the parties that a more in depth legal agreement would be drawn up and entered into based on this initial agreement. Discussions are ongoing in this regard.
- 7.2.4 Obviously it goes without saying that given the scale of public monies involved it is imperative that governance arrangements are as strong and robust as possible. Likewise all public bodies involved need to act in an open and transparent manner at all times.

Other implications: <ul style="list-style-type: none">• Risk• Equality• HR	Risk – the SRBC Internal Officer Group maintain an issues and risk log which is updated fortnightly. Additionally issues logs are also maintained as part of the wider City Deal structures. Equality – considerations with regard to equality are considered for each separate project and scheme as part of City Deal. HR – SRBC existing staff resource contributes significant time toward City Deal. This is particularly the case for the Planning Service and Regenerations Service.
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8. BACKGROUND DOCUMENTS

- City Deal Heads of Terms
- City Deal Infrastructure Delivery Plan
- Minutes and Agendas for the City Deal Executive and Stewardship Board

Appendix A - City Deal Governance and Operational Meeting Structure

Appendix B - City Deal Project Area

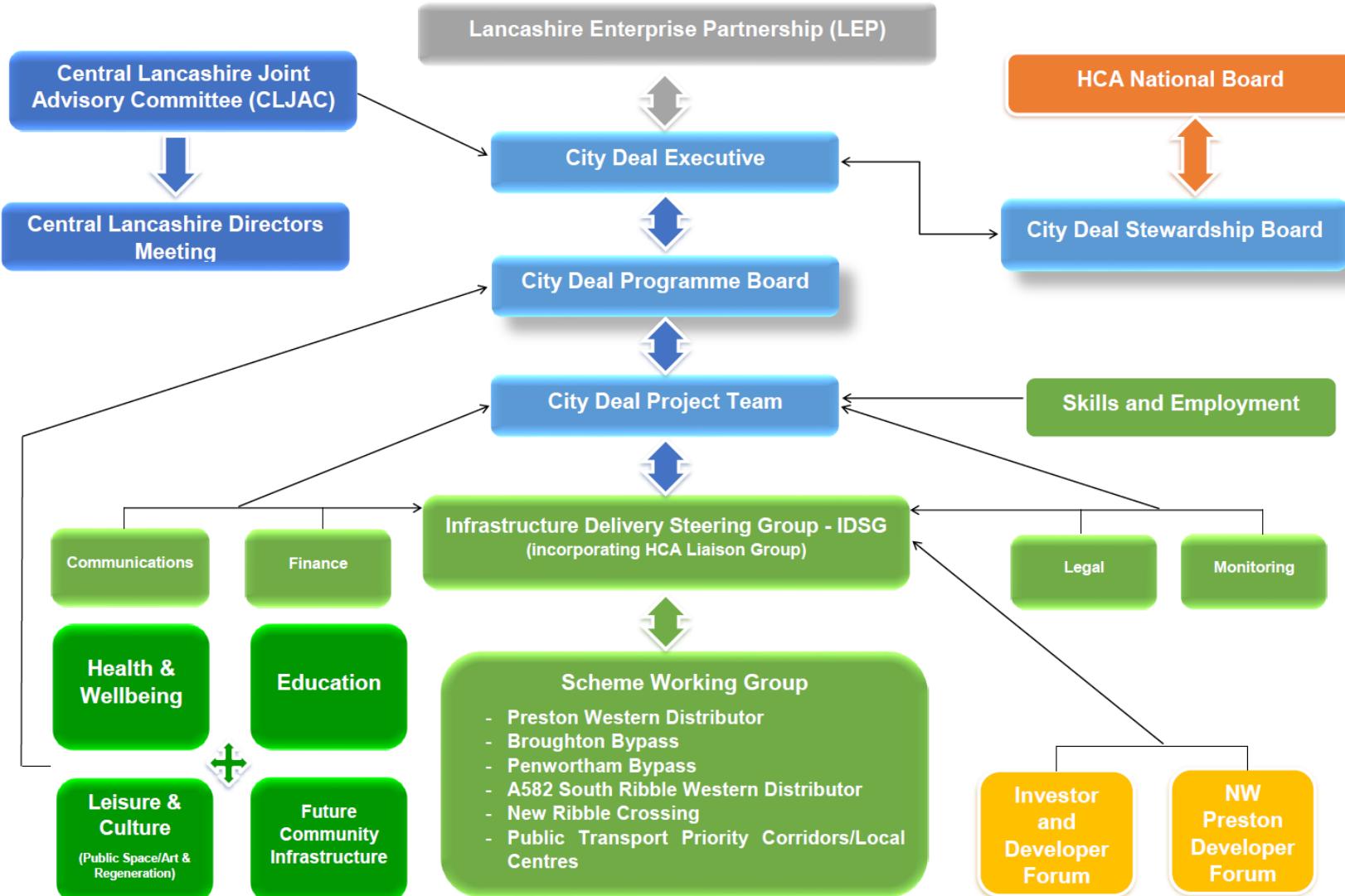
Appendix C - City Deal Infrastructure Delivery Fund

APPENDIX A

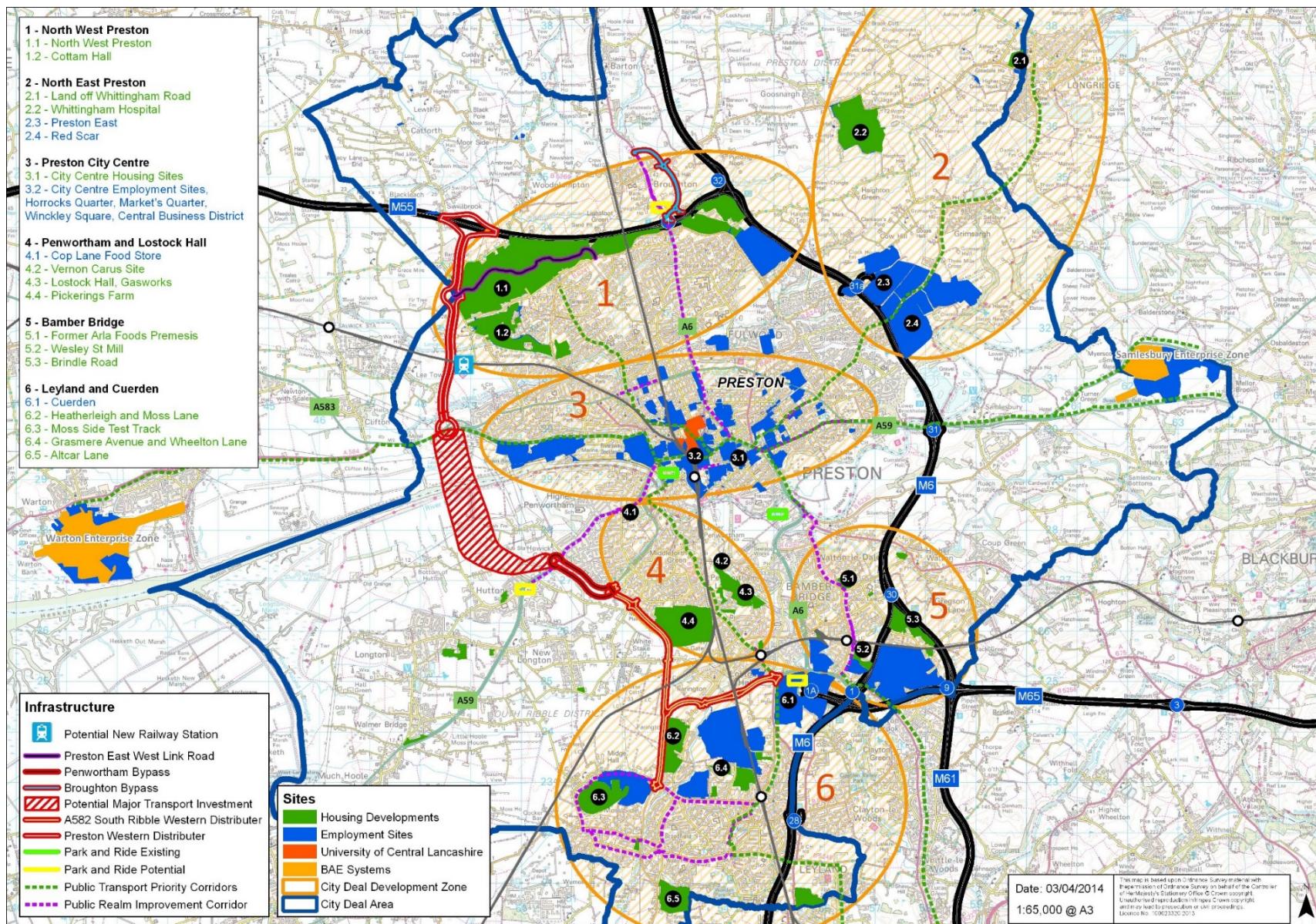


CITY DEAL
Preston, South Ribble & Lancashire

GOVERNANCE & OPERATIONAL MEETING STRUCTURE



APPENDIX B - CITY DEAL PROJECT AREA



APPENDIX C

CITY DEAL INFRASTRUCTURE DELIVERY FUND

10-year City Deal Infrastructure Delivery Fund (March 2014)

RESOURCES	Total
	£m
Central Government	
Transport Funding	108.809
HCA - Locally Retained Landhold Receipts	38.970
Developer Contributions (CIL and S106) – Preston and South Ribble	90.332
Lancashire County Council	-
Capital Programme & Grants	40.030
Capital Receipts	0.800
New Homes Bonus	12.953
Revenue Contribution - Capital Financing Cost	7.376
Preston City Council	
Business Rates Retention	5.135
New Homes Bonus	28.051
South Ribble Borough Council	
Business Rates Retention	4.350
New Homes Bonus	25.409
Moss Side Test Track Land Receipt	5.000
Resources Total	367.214

EXPENDITURE	Total
	£m
Preston Delivery Programmes	
Major Development Site Infrastructure	20.000
- Of which, East-West Link Road	9.800
- Of which, NW Preston Green Infrastructure	5.642
- Of which, Further Community Infrastructure	4.558
Preston Western Distributor	104.500
Cottam Parkway	15.000
Broughton (Incl. congestion relief, and M55 and M6 junction improvements)	33.300
Preston Bus Station	7.300
Fishergate Central Gateway	3.400
Public Transport Corridors & Local Centres	12.125
Education Infrastructure - Preston	28.495

EXPENDITURE (continued)	Total
	£m
South Ribble Delivery Programmes	
Major Development Site Infrastructure	20.000
- Of which, Pickering's Farm Link Road	4.500
- Of which, Moss Side Test Track Road Infrastructure	2.050
- Of which, Land Between Heatherleigh & Moss Lane Spine Road	2.000
- Of which, Cuerden Strategic Site Road Infrastructure	5.050
- Of which, Community/ Green Infrastructure	6.400
A582 South Ribble Western Distributor/ B2523 Flensburg Way	45.500
Penwortham Bypass	17.500
New Ribble Bridge - Preliminary Works & Route Protection	2.000
Public Transport Corridors & Local Centres	12.125
Other South Ribble Schemes	5.000
Education Infrastructure - South Ribble	11.203
Community Provision - Preston City Council	8.031
Community Provision - South Ribble Borough Council	4.922
Capital Financing Cost	7.376
Expenditure Total	357.777
Forecast Surplus/ (Deficit) at March 2014 *	9.437

* This is the forecast position at the commencement of City Deal, however please note that the dynamic nature of the City Deal means that the funding model has inevitably changed and continues to be adjusted to take account of more accurate project costs and the impact of key sources of income assumptions in the original model and Central Government Policy Decisions on key Core Funding i.e. New Homes Bonus and Business Retention Scheme..